

The complaint

Mr W complains NewDay Ltd trading as Aqua (NewDay) failed to carry out sufficient financial checks before providing him with a credit card account and subsequently increased the credit limit on that account.

What happened

Mr W says NewDay approved a credit card facility for him in October 2022 with a credit limit approved of £600 and then approved two further credit limit increases to £1,450 in February 2023 and to £2,950 in June 2023. Mr W says NewDay should have never provided him with the initial credit card account or the subsequent credit limit increases and if it had carried out more robust credit checks it would have seen the credit card facilities were unaffordable.

Mr W wants NewDay to refund all the interest and charges made to the credit card account.

NewDay says it typically provides consumers with initial smaller credit limits and then look to increase this once the customer has demonstrated they are able to afford the payments and that is what it did here. NewDay says it carried a comprehensive affordability assessment using information provided in the application, reference to the credit reference agencies, internal data and how Mr W maintained his account with them. NewDay says this procedure was repeated prior to the two limit increases.

NewDay says Mr W declared an annual income of £43,500 and there were no active pay day loans, late payment fees or reportable payment arrangements. NewDay says it is satisfied the account was provided responsibly and the affordability assessments were proportionate.

Mr W wasn't happy with NewDay's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint.

The investigator says before NewDay provided the initial credit limit of £600 and the first limit increase to £1,450, it carried out reasonable and proportionate checks and felt the facilities approved were likely to be affordable. The investigator pointed out there were no signs of recent financial stress, no CCJ's or recent significant adverse information so NewDay acted fairly when it approved the credit facilities to Mr W.

The investigator went on to say that he felt prior to the second limit increase to £2,950 in June 2023, NewDay should have conducted more thorough financial checks to verify Mr W's financial circumstances, such as obtaining bank statements.

The investigator obtained copies of bank statements from Mr W prior to the second limit increase, but from his analysis he concluded the increased limit to £2,950 was affordable as Mr W's net disposable income had sufficient margin to meet the increased facility offered. The investigator says NewDay's checks at that time also showed there were no recent defaults, CCJ's, late payment fees, or payday loans to indicate Mr W was struggling financially.

As a result, the investigator didn't feel NewDay had made an unfair lending decision.

Mr W didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to learn Mr W is experiencing financial pressure and that must be a source of worry to him. When looking at this complaint I will consider if NewDay acted irresponsibly when it provided Mr W with a credit card facility of £600 and subsequently increased the credit limit on two separate occasions.

I don't intend to repeat everything that's already been said by all parties here, but that's not to say I haven't considered everything that's been said – I have. But it's just that I don't need to comment on each individual point here in order to reach a decision on what's fair and reasonable.

Mr W feels NewDay failed to carry out proper financial checks before it approved the initial credit card account in October 2022 with a credit limit of £600, and when it went on to increase the limits to £1,450 and £2,950 in February 2023 and June 2023 respectively. Mr W maintains if NewDay had done that, it would have shown the borrowing was unaffordable, given his other external debts.

While I understand the points Mr W makes here, I'm not fully persuaded by his argument and let me explain why.

The first thing to say here is there are no set rules of what checks lenders like NewDay must undertake when looking to provide credit facilities to its customers, other than these are borrower focused, proportionate and take into account the sustainability and affordability of such a commitment. So, the question here is did NewDay do that here and on balance I'm satisfied it did.

I say this because it's worth also mentioning NewDay are what is known as a low and grow lender and provide credit to consumers with perhaps a less than perfect credit score. This means NewDay provide an initial modest credit facility and look to increase the facility over time, having seen the account managed within the terms of the agreement.

From the information I have seen before the initial credit card account was opened and on each occasion the credit limit was increased, NewDay carried out external credit checks and internal credit affordability modelling, and used information based on the credit card account application and the subsequent account management, before approving any credit facilities to Mr W.

From that information, this shows no obvious external credit pressure at the time of the initial credit card approval or at the time of the two further limit increases, with no recent defaults, CCJ's or missed payments that might warrant further checks here. Additionally, Mr W had managed his account reasonably well prior to both limit increases, had a strong disposable income based on his declared income and taking all this into account, on balance I'm satisfied the checks NewDay carried out were proportionate and reasonable here and in line

with its low and grow model.

While I understand the investigator felt perhaps further checks were warranted when the final credit limit was approved, I'm more inclined to believe for the level of credit initially approved here and based on the modelled disposable income to meet the two subsequent limit increases, the checks New Day undertook were what I would have expected to see. So, on balance I am satisfied these checks were sufficient and proportionate.

Having said that the investigator did analyse the bank statements Mr W provided leading up to the second limit increase and concluded based on the income and expenditure shown on those bank statements and the account operation, the increased borrowing NewDay approved was affordable. I take the view here that even if NewDay had seen the bank statements it would have come to the same conclusion.

While Mr W has mentioned some of the income was related to a family member, I'm not sure how NewDay could have known that without this being explained by Mr W, and the statements income seem to match what NewDay modelled the affordability on. Even allowing for this and taking this information into account the increased debt still seemed affordable.

It's also worth saying Mr W did have the opportunity to decline any of the limit increases but I can't see that he did that.

So, while Mr W will be disappointed with my decision, I can't say NewDay acted irresponsibly when it approved the credit facilities to him and from what I have seen the borrowing looked affordable.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Mr W has complained about, including whether its relationship with him might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 29 July 2025.

Barry White
Ombudsman